

**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
SOUTHGATE WATER DISTRICT
ARAPAHOE AND DOUGLAS COUNTIES, COLORADO**

August 11, 2009

The Board of Directors of the Southgate Water District, Arapahoe and Douglas Counties, Colorado, met in regular joint session with the Board of Directors of the Southgate Sanitation District on Tuesday, August 11, 2009, at the office of the Districts, 3722 East Orchard Road, Centennial, Colorado 80121. The meeting was called to order at 4:00 p.m., by the Vice-Chairman, Terry Kirkpatrick. These minutes reflect the proceedings of the Board of the Southgate Water District.

Notice of the meeting was duly posted as required by law. The agenda for this meeting was posted at the District office more than 24 hours before the meeting convened. The purpose of the meeting was stated to be for consideration of any and all business that may come before the Board of Directors of the Southgate Water District.

The following Directors were present:

David Bickham

John J. Herbolich - Arrived during Consent Matters

Terry Kirkpatrick

George J. MacDonald

Don E. Winslow

Also present were:

Duane Tinsley, Manager

Neil Waud, Investments Manager

Approval of Agenda:

Director MacDonald MOVED to approve the agenda as presented. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and

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the motion was declared UNANIMOUSLY PASSED.

Public Comment:

No public comment was offered.

Consent Matters:

Vice-Chairman Kirkpatrick identified the items to be considered under "Consent Matters" and asked if any Director wished to pull any item for discussion. Manager Tinsley reported that the minutes of the July 14, 2009 meeting were revised in response to grammatical suggestions from Director MacDonald. Director MacDonald pointed out several variances in the Revenue/Expenditure statements and asked about the trend to the end of the year. Manager Tinsley briefly reviewed the anticipated revenues and expenditures through the remainder of the year.

Director Herbolich arrived at this point.

Director MacDonald MOVED to direct the Manager to prepare and submit a 2009 budget forecast. Director Kirkpatrick spoke in favor of the motion. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

There being no further discussion, Director Bickham MOVED to approve the consent matters, consisting of:

1. Minutes July 14, 2009 - Regular
2. W09-06(B) Financials - July, 2009
3. W09-06(C) Improvements Agreements: None.

Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Director Herbolich assumed the "Chair" at this point.

Public Hearings/Scheduled Visits:

Investments - Investment Manager (09-06-A):

Chairman Herbolich introduced Mr. Neil Waud (MBIA Asset Management) who serves as the District's investments manager and indicated that it is the District's practice to meet with the Investment Manager no less often than once a year, and more often as circumstances may warrant.

Mr. Waud distributed and discussed report entitled "Investment Management Program Review". He provided a very thorough briefing regarding: 1) market environment and strategies, 2) water and sanitation portfolio performance, 3) broker/dealer relationships, 4) bank credit analysis, and 5) recommended house keeping updates to the water and

sanitation investment policies. Extended discussion followed, including: 1) Federal agencies status, 2) current investment strategies as evident in the "Securities Held" statements, and 3) the role of the CSAFE and Colotrust trusts in the District's cash management practices. It was acknowledged that the investments in the trusts need to be drawn down as the capital project expenditures come to an end later in 2009. Mr. Waud disclosed that he and MBIA work closely with Colotrust, and then expressed concern relative to the "Credit Watch" status of the COLO trust. In response to the bank credit rating discussion, Mr. Waud committed to forward rating data for US Bank for comparison to the ratings for Wells Fargo (the District's present banking institution). In response to the investment policy update recommendations, Mr. Waud confirmed that the proposed revisions are house keeping in nature (to make the policy more clear and to reflect current prudent practices) and do not amend the essential guidance and limitations of the policy. The Board committed to consider same at their next meeting. The Manager will forward a copy of the proposed policy revisions to the Attorney for review and comment.

Director MacDonald MOVED to approve the investments report for July, 2009. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

The Board expressed appreciation for Mr. Waud's services, presentation and counsel.

Mr. Waud departed at this point.

Engineering and Capital Projects:

Project Status Reports (08-05):

Manager Tinsley provided brief status reports on the following projects:

- County Line & S. Yosemite Waterline & Valve Replacement - The Board's attention was directed to the status report in the meeting packet. The contractor (Twin Peaks) is still struggling financially, has fallen behind schedule, but is still making progress. It is the consensus of all parties that there be effort to push the project through to completion.
- Valve/Fire Hydrant/Blowoff Replacement Program - Status of litigation was discussed.
- Geographic Information System - Phase III - The Board's attention was directed to the status report in the meeting packet. The Phase III geographical information system work is complete and operational. The Phase III work management system effort is to the point that it is operational within the District offices, training continues, and "de-bugging" continues. Staff will coordinate to implement the field accessibility computers before the end of 2009. The Manager has had several discussions with the project consultant (Woolpert) regarding a scope of service and budget figure for

2010 implementation of Phase IV (Asset Management).

Engineering - Special Reports: The Board's attention was directed to the Engineer's status report in the meeting packet.

Administrative:

Cash Receipts and Expenditures (09-06-D):

The Board reviewed and discussed the cash receipts and expenditures for July, 2009. There was inquiry about the "C&L" and "Hoai" expenditures. Manager Tinsley indicated that C&L provides excavation/line repair services and that Hoai provides lawn mowing services. There being no further questions or discussion, Director Kirkpatrick MOVED to approve the expenditures in the amount of \$263,950.64 as set forth in the disbursement schedule attached hereto. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Employees' Pension Plan Restatement (09-16):

Manager Tinsley reported that American United Life Insurance, (the administrator for the employees' pension plan), has delivered the pension plan restatement required by the Economic Growth Tax Relief Reconciliation Act (EGTRRA). The Board's attention was directed to the following materials in the meeting packet: 1) Adoption Agreement for American United Life Insurance Company Standardized Money Purchase Plan and Trust, reflecting the necessary plan restatement, 2) Department of the Treasury - Internal Revenue Service letter of acceptability relative to the plan restatement, and 3) Summary Plan Description.

Manager Tinsley indicated that the restatement has been reviewed against the current plan documents. Findings are as follows: 1) there are several areas in which administrative requirements/procedures have been tightened, 2) the revisions are not considered to be adverse to the District's or the employees' interests, nor onerous relative to the District's administrative burden, and 3) the essential structure of the plan, eligibility and plan entry provisions, contribution provisions, vesting provisions, and participant rights conform fully with the current plan.

It was recommended that there be approval by motion and vote.

Director MacDonald MOVED to approve the pension plan restatement as presented. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Manager Tinsley discussed the *minimum age* and *plan entry* provisions of the current plan and the number of younger new hires. Several new hires have had to wait one

or more years to attain the minimum age. Employees hired early in the year have not received pension contribution for that year because the plan does not allow entry until the following January 1st and plan contributions are not allowed until the employee has entered the plan. While the above plan restatement could not address revisions to those provisions, the Manager would like to work with the pension company to: 1) reduce the minimum age from 20.5 years to 18 years, and 2) change plan entry from January 1st following date of hire/attainment of minimum age to six months following date of hire (again subject to minimum age). The Board concurred.

Reschedule - October Board Meeting (09-17):

Manager Tinsley reported that three of the five Directors are scheduled to attend the Water Environment Federation conference in October. Unfortunately, that conference is the same week as the normal Board Meeting, meaning that there will not be a quorum available for the currently scheduled October 13, 2009 Board meeting. He recommended that the Board reschedule the meeting as determined and order that notice be posted.

Following brief discussion, it was the consensus of the Board that the October Board meeting be rescheduled from October 13th to Tuesday, October 6th at 4:00 p.m.; and that proper notice be given pursuant to State law.

City of Centennial - Right-of-way Permitting (09-18):

Manager Tinsley reported that, given concerns raised at the July discussion with the Operations Supervisor, it was agreed that there would be discussion of the City of Centennial right-of-way issues at the August meeting.

He briefly reviewed the recently adopted "work in right-of-way" regulations and fee schedule, with indication that both are very demanding. Upon adoption it quickly became apparent that the new regulations did not adequately provide for the routine maintenance practices of local utilities. Water, wastewater, power and communications utilities subsequently met with Centennial representatives. Centennial then revised the regulations to better provide for such routine maintenance practices. The utility representatives have continued to meet with Centennial and are now pressing concerns relative to: 1) permit fees as compared to the fees charged by surrounding jurisdictions, 2) pavement degradation fees and compared to the more customary warranty practices, and 3) consistency of permitting and field enforcement practices. Centennial representatives have committed to review those concerns. The Manager will soon meet with the Centennial Public Works Director on coordination matters and will address the permitting practices and fees.

Should those staff level efforts fail to achieve a workable regulatory/fee relationship consideration will be given to raising the matter to the policy board level, (via communication from the Southgate Board to the Centennial City Council).

Administrative - Special Reports: Nothing further.

Legal - Special Reports: Nothing further.

Finance - Special Reports: The Board's attention was directed to the Auditor's monthly letter in the meeting packet.

Board:

Directors - Special Reports:

Director Herbolich noted that the Board Goal regarding prospective employee development via liaison with local schools needs to be pursued. It was agreed that the sub-committee will, at the September meeting, schedule a meeting with the Manager to establish a course of action.

Training: Nothing further.

Adjournment:

There being no further business to come before the Board of Directors, Director Herbolich MOVED to adjourn the meeting. Director Kirkpatrick SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 6:23 p.m.

Director

President & Chairman

Director

Director

Director